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Via Overnight Mail

October 16, 2019

Mr. Reece McAlister, Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334-5701

Re: Georgia Power Company's 2019 Rate Case; Docket No. 42516

Dear Mr. McAlister:

Please find enclosed the original and fifteen (15) copies of the DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS on behalf of THE KROGER CO. for filing in the above-referenced matter. I also enclose a CD containing same in .Word format and .Pdf format.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,

Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

In The Matter of	)	
Georgia Power Company's	)	**Docket No. 42516**
2019 Rate Case	)	

Direct Testimony of Kevin C. Higgins

on behalf of

The Kroger Co.

October 17, 2019

DIRECT TESTIMONY OF KEVIN C. HIGGINS

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kevin C. Higgins. My business address is 215 South Street, Suite 200, Salt Lake City, Utah, 84111.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PHASE OF THE PROCEEDING?

A. My testimony is being sponsored by The Kroger Co. ("Kroger"). Kroger is one of the largest retail grocers in the United States and purchases more than 200 million kWh annually from Georgia Power Company ("Georgia Power") to serve more than 100 accounts. Kroger takes service under various tariffs, including Power & Light Medium ("PLM"), Time-of-Use High Load Factor ("TOU-HLF"), Power & Light Small ("PLS") and Outdoor Lighting. Kroger also participates in Georgia Power's Real Time Pricing ("RTP") program.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND QUALIFICATIONS.

A. My academic background is in economics, and I have completed all coursework and field examinations toward the Ph.D. in Economics at the

University of Utah. In addition, I have served on the adjunct faculties of both the University of Utah and Westminster College, where I taught undergraduate and graduate courses in economics. I joined Energy Strategies in 1995, where I assist private and public sector clients in the areas of energy-related economic and policy analysis, including evaluation of electric and gas utility rate matters.

Prior to joining Energy Strategies, I held policy positions in state and local government. From 1983 to 1990, I was economist, then assistant director, for the Utah Energy Office, where I helped develop and implement state energy policy. From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County Commission, where I was responsible for development and implementation of a broad spectrum of public policy at the local government level.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I testified in Georgia Power's 2013 rate case,[1] 2010 rate case,[2] 2007 rate case,[3] 2004 rate case,[4] and 2001 rate case,[5] as well as the Savannah Electric & Power 2001 rate case.[6]

Q. HAVE YOU TESTIFIED BEFORE UTILITY REGULATORY COMMISSIONS IN OTHER STATES?

A. Yes. I have testified in approximately 230 proceedings on the subjects of utility rates and regulatory policy before state utility regulators in Alaska,

[1] "In the Matter of Georgia Power Company's 2013 Rate Case," Docket No. 36989.
[2] "In the Matter of Georgia Power Company's 2010 Rate Case," Docket No. 31958.
[3] "In the Matter of Georgia Power Company's 2007 Rate Case," Docket No. 25060-U.
[4] "In the Matter of Georgia Power Company's 2004 Rate Case," Docket No. 18300-U.
[5] "In the Matter of Georgia Power Company's 2001 Rate Case," Docket No. 14000-U.
[6] "In the Matter of Savannah Electric & Power Company's 2001 Rate Case," Docket No. 14618-U.

Arizona, Arkansas, Colorado, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington, West Virginia, and Wyoming. I have also prepared affidavits that have been filed with the Federal Energy Regulatory Commission.

OVERVIEW AND CONCLUSIONS

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony addresses the following issues:

(1) The appropriate ratemaking treatment of wholesale sales margins; and

(2) The basic service charge for the PLM tariff.

With respect to these issues, I offer recommendations to the Commission in support of a just and reasonable outcome. Although I do not offer testimony recommending a specific cost of capital, I note here that the 10.9% return on equity requested by Georgia Power is 128 basis points greater than the median return on equity of 9.62% approved for vertically-integrated electric utilities by state regulatory commissions in the United States over the past year and, if approved, would be the single highest return on equity approved over that period.[7] Absence of comment on my part regarding any other particular issue does not signify support (or opposition) toward the Company's filing with respect to the non-discussed issue.

[7] Returns on equity for the 12-month period ending September 30, 2019 as reported by S&P Global Market Intelligence. The highest return on equity reported for this period was 10%. See Exhibit__(KCH-1).

Q. PLEASE SUMMARIZE THE PRIMARY CONCLUSIONS IN YOUR TESTIMONY.

A. (1) Georgia Power's ratemaking treatment of wholesale sales margins should be modified. Going forward, I recommend that the Commission require Georgia Power to credit customers with: (a) 100% of projected test year profits from economy energy/opportunity sales; and (b) 100% of projected test year capacity revenues from market-based tariff sales. To the extent that the Commission wishes to provide Georgia Power with an opportunity to share in the margins from such sales, then I recommend that the Commission adopt a sharing provision in which <u>deviations</u> from the level of margins projected in the test period are shared between customers and the Company on an 80% customer/20% Company basis.

(2) Georgia Power's proposed increase in the basic service charge for the PLM tariff from $19.00 per month to $38.00 per month is a step in the right direction for aligning costs and rates. However, the basic service charge for this tariff is still well below cost-of-service, which is $136.13 per month.[8] I recommend that the basic service charge for the PLM tariffs be increased to 50% of cost ($68.00 per month), with an offsetting reduction to the hours-use energy charges in the tariff on a proportionate basis. Further, to the extent that the revenue requirement requested by Georgia Power is reduced in this proceeding, I recommend that the basic service charge be set at $68.00 per month as I have

[8] See Exhibit __LTL-1.

proposed and any reduction to the PLM tariff be applied on an equal percentage basis to the hours-use energy charges.

TREATMENT OF OFF-SYSTEM SALES MARGINS

Q. HOW DOES GEORGIA POWER PROPOSE TO TREAT MARGINS FROM OFF-SYSTEM SALES?

A. As described in the Direct Testimony of David P. Poroch, Sarah P. Adams, and Michael B. Robinson, Georgia Power engages in three types of wholesale sales transactions: economy energy/opportunity sales, market-based tariff sales, and wholesale block power and solar sales. The facilities used to produce the latter are allocated a share of the Company's production cost. In contrast, the cost of the facilities used to make economy energy/opportunity sales and market-based tariff sales is allocated to customers. The profit on the economy energy/opportunity sales is split 75% to customers and 25% to the Company and the capacity revenues from market-based tariff sales is split 80% to customers and 20% to the Company. The discussion that follows is focused on the treatment of these two types of wholesale transactions.[9]

Q. DO YOU BELIEVE THE PROPOSED TREATMENT OF MARGINS FROM ECONOMY ENERGY/OPPORTUNITY SALES AND MARKET-BASED TARIFF SALES IS REASONABLE?

A. No, it is not reasonable. Under Georgia Power's proposed approach, the full profit from these sales that is likely to occur in the test period is not credited

[9] Direct Testimony of David P. Poroch, Sarah P. Adams, and Michael B. Robinson, pp. 63-64.

to customers even though customers bear the full responsibility for recovering the jurisdictional fixed costs of these units. In making its proposal, Georgia Power references prior Commission decisions that have allowed the type of sharing arrangement the Company is seeking. In my opinion, a more reasonable and conventional approach is to credit 100% of projected test period margins from these sales to customers as an offset to rates.

Q. ARE YOU OPPOSED TO GEORGIA POWER RECEIVING A SHARE OF OFF-SYSTEM SALES MARGINS AS AN INCENTIVE TO MAKE SUCH SALES?

A. No, I am not opposed to Georgia Power receiving a share of off-system sales margins as an incentive to make such sales. However, there is an important and subtle difference between a reasonable incentive mechanism and what Georgia Power is proposing. It can be reasonable to share off-system sales margins that are based on <u>deviations</u> from the level of margins projected in the test period. That is, if Georgia Power *increases* its off-system sales margins above test period levels, then some sharing of the net proceeds from this increase may be appropriate. Similarly, if Georgia Power's off-system sales margins fall below test period levels, some sharing of this burden may be appropriate. Properly structured, this type of sharing of deviations in off-system sales margins relative to the test year level can provide a useful financial incentive to the utility to maximize off-system sales margins. In fact, if the sharing percentages applied to the deviations are the same sharing percentages proposed by Georgia Power to the total margins, it provides just as strong an incentive for Georgia Power to

makes these sales as the Company's proposal does, because the incremental benefit to the Company of making an additional sale is the same under both approaches (as is the incremental cost of failing to make a sale). What is fundamentally different about the two approaches is their starting points: the deviations-based approach starts from a more equitable position.

In contrast, Georgia Power is seeking to build in to rates the presumption that shareholders are entitled to retain 20%-25% of <u>total test period</u> margins, rather than just the deviations in these margins from their reasonably projected level. The Company's proposed approach is unreasonable because customers are responsible for 100 percent of the prudently incurred costs associated with the assets that produced the test year benefits. Therefore, customers should be credited with 100% of the test period margin on these sales. Any incentive mechanism for the Company to make off-system sales should be designed with this as a starting point.

Q. WHY SHOULD YOUR PROPOSAL BE ADOPTED, GIVEN THAT GEORGIA POWER HAS BEEN PERMITTED TO RETAIN A SHARE OF TEST PERIOD MARGINS IN PAST RATE CASES?

A. In support of the Company's treatment of market-based tariff sales, the Georgia Power witnesses cite to the Commission's treatment of off-system sales margins in Docket No. 3397.[10] However, in addressing this issue in its Order on Reconsideration in Docket No. 3397, the Commission recognized that there is a valid argument that 100 percent of these margins should be credited to customers:

[10] *Id.*, p. 63.

"As the ratepayer contributes a return on the plants from which alternate energy sales are made, the ratepayer is entitled to the profits from these sales."[11] The Commission then went on to make it clear that its approval of the sharing of margins with shareholders in that docket did not establish a precedent of stockholder entitlement to these funds:

> However, pending further consideration of this matter *and without establishing a precedent of stockholder entitlement to a share of these funds*, the Commission will split the benefits of these rates between ratepayers and stockholders, and as a result, the Company's net income after taxes will be increased by $584,000.[12] [Emphasis added]

In light of the Commission's express statement that a precedent of stockholder entitlement to these margins was not established, I believe it is useful to reconsider the premise under which any sharing of margins would occur. My proposal would accommodate an efficient sharing mechanism based on deviations from expected test period profits from economy energy/opportunity sales and market-based tariff sales. This approach, which is fairer to customers than the Company's proposal, should not be precluded simply because a different basis for sharing margins has been in place in prior cases.

Q. DO OTHER SOUTHERN COMPANY UTILITIES TREAT OFF-SYSTEM SALES MARGINS IN A MANNER SIMILAR TO WHAT YOU ARE PROPOSING?

A. Yes. According to the Company's Response to STF-L&A-1-55, attached as Exhibit__(KCH-2), 100 percent of capacity margins earned by Alabama Power

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[11] Georgia Public Service Commission, Docket No. 3397, Order on Reconsideration at 16.
[12] *Id.*, at 16.

Company are credited to customers.[13] Similarly, 100 percent of the margins from opportunity sales are credited to Mississippi Power Company and Alabama Power Company customers. Significantly, according to the Company's data response, none of the other Southern Company utilities automatically retains a portion of test period economy sales margins as Georgia Power does.

Q. WHAT RATE IMPACT IS LIKELY IF YOUR PROPOSAL IS ADOPTED?

A. Based on information provided by Georgia Power in response to Discovery Request STF-L&A-4.1, the retail cost of service should be reduced by $1.219 million to reflect additional economy energy sales revenue and by $1.024 million to reflect additional short-term capacity sales revenue.[14]

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. I recommend that the Commission require Georgia Power to credit customers with: (1) 100% of projected test year profits from economy energy/opportunity sales; and (2) 100% of projected test year capacity revenues from market-based tariff sales. These credits should be reflected in the energy charges in the base rates established in this case. The Commission should require Georgia Power to calculate the impact of this change in treatment in a compliance filing, consistent with the information provided by the Company in response to STF-L&A-4.1, WP 13 and WP 22. To the extent that the Commission wishes to provide Georgia Power with an opportunity to share in the margins from such sales, then I recommend that the Commission adopt a sharing provision in which

[13] Mississippi Power Company retains 25% of the short-term capacity sales revenues.
[14] Georgia Power Response to STF-L&A-4.1, WP 13 and WP 22, attached as Exhibit__(KCH-3).

deviations from the level of margins projected in the test period are shared between customers and the Company on an 80% customer/20% Company basis.

PLM Basic Service Charge

Q. What has Georgia Power proposed regarding the PLM basic service charge?

A. Georgia Power has proposed to increase this charge from $19.00 per month to $38.00 per month.

Q. Do you agree with the proposed change?

A. Georgia Power's proposed increase in the basic service charge for the PLM tariff is a step in the right direction for aligning costs and rates. However, the Company's cost-of-service study indicates that customer-related costs for this tariff the basic service charge for this tariff are $136.13 per month. Consequently, the Company's proposed basic service charge for PLM is still well below cost of service. In my opinion, a more significant step toward aligning costs and charges is warranted.

Q. Why is it important for rate design to be representative of underlying cost causation?

A. Rate design for any tariff should be representative of cost causation, to the maximum extent practicable. That is, demand-related costs are most appropriately collected via demand-related charges (*i.e.*, kW or the demand component of an hours-use energy charge), energy-related costs collected through energy charges (*i.e.*, kWh), and customer-related costs collected via customer charges (*i.e.*, basic service charge).

Aligning rate design with underlying cost causation improves efficiency because it sends proper price signals. It is also important for ensuring equity among customers, because properly aligning with costs minimizes cross-subsidies among customers within the same class. For example, if customer-related costs are understated in utility rates, the costs are made up elsewhere – typically in energy or demand rates. When this happens, higher volume customers in the class are forced to pay the demand-related costs of lower volume customers. This amounts to a cross-subsidy that is fundamentally inequitable.

Q. What is your recommendation regarding the PLM basic service charge?

A. I recommend that this charge be increased to $68.00 per month, which is 50% of cost. While cost causation would justify increasing this charge to its full cost of service of $136.13 per month, I am recommending a move to only 50% of cost at this time in the interest of gradualism. The increase in the basic service charge to $68.00 per month should be offset by a revenue neutral reduction to the PLM hours-use energy charges on a pro rata basis. I estimate that the reduction to each of the hours-use energy blocks necessary to accomplish this would be a little less than 2% relative to Georgia Power's proposed PLM hours-use energy charges.

Q. Is a $68 per month basic service charge out of line with other basic service charges that Kroger pays to Georgia Power?

A. It is significantly less than the basic service charge that Kroger pays Georgia Power for service on TOU-HLF, which is currently set at $251 per month. In this proceeding, Georgia Power is proposing to reduce the TOU-HLF basic service charge to $238 per month, which would be 100% of cost.

Q. If the Commission prefers not to move to a $68 per month basic service charge for PLM in a single step, is there an alternative approach that could be adopted?

A. Yes. While I believe that moving to a $68 per month basic service charge for PLM in a single step is reasonable and appropriate, in the alternative, it could be accomplished in three steps over the course of the rate plan that Georgia Power is proposing.[15] Under this alternative, the first-year increase would be to the $38 per month proposed by Georgia Power. The increase in each of the subsequent two years would be further increases of $15 per month to $53 per month and then $68 per month, respectively. Of course, each of these step increases would be accompanied by revenue neutral reductions in the hours-use energy charges on a proportionate basis.

Q. What is your recommendation if the PLM revenue requirement is reduced relative to Georgia Power's request in this case?

A. If the PLM revenue requirement is reduced relative to Georgia Power's request in this case, I recommend that the basic service charge be set at $68.00 per month as I have proposed and the reduction in PLM revenue requirement be effectuated through an equal percentage reduction in the hours-use energy charges.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

[15] Georgia Power is proposing a similar three-year phase-in of its proposed basic service charge for the Domestic Group. See the Direct Testimony of Larry T. Legg, pp. 7-8.

BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

IN THE MATTER OF GEORGIA POWER COMPANY'S 2019 RATE CASE	)))	Docket No. 42516

<u>AFFIDAVIT OF KEVIN C. HIGGINS</u>

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Kevin C. Higgins, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;

2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Kevin C. Higgins;"

3. Said testimony was prepared by him and under his direction and supervision;

4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and

5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

Kevin C. Higgins

Subscribed and sworn to or affirmed before me this 11th day of October, 2019, by Kevin C. Higgins.

Notary Public

My Commission No.: 705871
My Commission Expires: April 18, 2023

Notary Public
Kimberlie A. Ignjatovic
State of Utah
My Commission Expires April 18, 2023
Commission #705871

Exhibit_KCH-1
Docket No. 42516

Returns on Equity for the 12-Month Period Ending September 30, 2019

as reported by S&P Global Market Intelligence.

Vertically Integrated Electric Utility Rate Case Summary

12 Months Ending September 30, 2019

Cases with ROE Determinations as Reported by S&P Global Market Intelligence

Decision Date	State	Company	Case Identification	Common Equity/Total Cap (%)	Return on Equity (%)
10/31/2018	Indiana	Indianapolis Power & Light Co.	Ca-45029	39.67	9.99
12/13/2018	Kansas	Kansas City Power & Light	D-18-KCPE-480-RTS	49.09	9.30
12/14/2018	Oregon	Portland General Electric Co.	D-UE-335	50.00	9.50
1/9/2019	Michigan	Consumers Energy Co.	C-U-20134	NA	10.00
2/27/2019	West Virginia	Appalachian Power Co.	C-18-0646-E-42T	50.16	9.75
3/14/2019	Oklahoma	Public Service Co. of OK	Ca-PUD201800097	NA	9.40
4/30/2019	Kentucky	Kentucky Utilities Co.	C-2018-00294	NA	9.73
4/30/2019	Kentucky	Louisville Gas & Electric Co.	C-2018-00295 (elec.)	NA	9.73
5/1/2019	South Carolina	Duke Energy Carolinas LLC	D-2018-319-E	53	9.50
5/2/2019	Michigan	DTE Electric Co.	C-U-20162	37.94	10.00
5/8/2019	South Carolina	Duke Energy Progress LLC	D-2018-318-E	53	9.50
5/14/2019	South Dakota	Otter Tail Power Co.	D-EL18-021	52.92	8.75
5/16/2019	Hawaii	Maui Electric Company Ltd	D-2017-0150	57.02	9.50
5/23/2019	Michigan	Upper Peninsula Power Co.	C-U-20276	NA	9.90
8/29/2019	Vermont	Green Mountain Power Corp.	C-19-1932-TF	49.46	9.06
9/4/2019	Wisconsin	Northern States Power Co - WI	D- 4220-UR-124 (Elec)	52.52	10.00

MEDIAN:	**9.62**
MEAN:	**9.60**
OBSERVATIONS:	16

Exhibit_KCH-2
Docket No. 42516

Georgia Power Response to Staff Discovery Request STF-L&A-1-55

GEORGIA POWER COMPANY
Docket No. 42516
Georgia Power Company's 2019 Rate Case
Staff Data Request No. STF-L&A-1-55

STF-L&A-1-55

Question:

In the same format and detail as per the response to STF-RCS-1-44 in Docket No. 36989, please provide the current ratemaking treatments for off-system Economy Energy/Opportunity sales and revenues from FERC market-based tariff capacity and energy sales in the jurisdictions in which GPC's affiliate Southern Company operating companies are operating. In addition, explain since when these ratemaking treatments have been in effect and how many times and to what extent these ratemaking treatments have been changed since their inception.

Response:

The current ratemaking treatment for the jurisdictions of the Company's affiliates for off-system Economy/Opportunity sales and revenues is provided in Attachment STF-L&A-1-55.

For Georgia Power, the Commission's Order in Docket No. 3840 established that 75% of the retail portion of economy sales profits is returned to retail customers through the Fuel Over/Under Recovery mechanism, which is the treatment currently in effect.

Based on the Commission's Order in Docket No. 18300, the Company has also included 80% of the capacity revenues from off-system sales as a credit to retail customers. Future long-term wholesale revenue markups from contract-defined energy pricing of retail assets will also be shared with 80% credited to customers. Prior to Docket No. 18300, the Company followed the Commission's Order in Docket No. 3397 and included 60% of capacity revenues from off-system sales as a credit to retail customers.

Affiliate regulatory treatments for Economy / Opportunity energy margins and Short Term Capacity sales

Attachment STF-L&A-1-55

Alabama **Investor owned utilities - Alabama Power Company**

Capacity:
All margins from capacity sales are returned to retail ratepayers.

Energy:
All margins from opportunity sales are returned to retail ratepayers.
Wholesale transactions are excluded from retail ratemaking.
Fuel revenues and expenses flow through the fuel clause.

These provisions have been in place since 1983.

Mississippi **Investor owned utilities - Mississippi Power Company**

Capacity:
75% of short-term non-territorial capacity sales are returned to retail ratepayers, with 25% excluded from retail ratemaking.

Energy:
All margins from opportunity sales are returned to retail ratepayers .
Fuel revenues and expenses flow through the fuel clause.

These provisions have been in place since 1986.

Exhibit KCH-3
Docket No. 42516

Georgia Power Response to Staff Discovery Request STF-L&A-4.1 (WP 13 and WP 22)

GEORGIA POWER COMPANY
Docket No. 42516
Georgia Power Company's 2019 Rate Case
Staff Data Request No. STF-L&A-4

STF-L&A-4-1

Question:

Refer to DPA-SPA-MBR-2, page 2. Show in detail how each of the following items in Footnote A/ was derived and include complete supporting calculations and workpapers:

a. Nuclear Construction Cost Recovery
b. Carrying Charge on Under-recovered Fuel Balance
c. Economy Energy Profits
d. Short-term Capacity Sales
e. Southern Company Generation
f. Carrying Charge on Over-recovered DSM

Response:

Please see the following pages in Attachment STF-L&A-4-1 from the Amended 2018 ASR filing submitted to the Georgia PSC on April 15, 2019:

a. Nuclear Construction Cost Recovery – Page 9
b. Carrying Charge on Under-recovered Fuel Balance – Page 17
c. Economy Energy Profits – Page 13
d. Short-term Capacity Sales – Page 22
e. Southern Company Generation – Page 15
f. Carrying Charge on Over-recovered DSM – Page 10

The attachment is provided in electronic format only due to volume.

Contact: Richard Dodd

GEORGIA POWER COMPANY
ECONOMY & OPPORTUNITY SALES ENERGY PROFITS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(AMOUNTS IN THOUSANDS)

Based on the 75/25 allocation of economy profits established in Commission's Order in Docket No. 3840, 25% of the economy energy profits were removed from the retail cost of service.

Month	Profits	Retail Allocator	Retail Profits	Retail %	Retail Credit	25% Allocation
Jan-18	$ 254	97.60%	$ 248	75%	$ 186	$ (62)
Feb-18	428	97.60%	418	75%	313	(104)
Mar-18	324	97.60%	316	75%	237	(79)
Apr-18	292	97.60%	285	75%	213	(71)
May-18	114	97.60%	111	75%	84	(28)
Jun-18	436	97.60%	426	75%	319	(106)
Jul-18	317	97.60%	310	75%	232	(77)
Aug-18	161	97.60%	157	75%	118	(39)
Sep-18	1132	97.60%	1105	75%	829	(276)
Oct-18	756	97.60%	738	75%	554	(185)
Nov-18	672	97.60%	656	75%	492	(164)
Dec-18	109	97.60%	107	75%	80	(27)
	$ 4,996		$ 4,876		$ 3,657	$ (1,219)

Federal Income Taxes Payable	$ (242)
State Income Taxes Payable	$ (69)

Attachment STF-L&A-4-1
2018 Amended ASR
Workpaper 22

GEORGIA POWER COMPANY
SHORT TERM CAPACITY SALES
TWELVE MONTHS ENDED DECEMBER 31, 2018
(AMOUNTS IN THOUSANDS)

Based on the 80/20 allocation of short term capacity sales established in Commission's Order in Docket No. 18300, 20% of the short term capacity sales were removed from the retail cost of service.

Month	Short Term Capacity Sales	Retail %	Retail Credit	20% Allocation
Jan-18	$ 770	80.00%	$ 616	$ (154)
Feb-18	46	80.00%	37	(9)
Mar-18	407	80.00%	325	(81)
Apr-18	407	80.00%	326	(81)
May-18	490	80.00%	392	(98)
Jun-18	415	80.00%	332	(83)
Jul-18	407	80.00%	325	(81)
Aug-18	408	80.00%	327	(82)
Sep-18	479	80.00%	383	(96)
Oct-18	456	80.00%	365	(91)
Nov-18	427	80.00%	341	(85)
Dec-18	411	80.00%	329	(82)
	$ 5,121		$ 4,097	$ (1,024)

Federal Income Taxes Payable	$	(203)
State Income Taxes Payable	$	(58)

CERTIFICATE OF SERVICE

I certify that on the 17th day of October, 2019 I served the foregoing DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS ON BEHALF OF THE KROGER CO. via e-mail (when available) or by depositing same, postage prepaid, in the United States Mail to all parties of record at their addresses shown below:

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Jody Kyler Cohn, Esq.

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